



## DEPARTMENT OF AUDITS AND ACCOUNTS

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**Greg S. Griffin**  
STATE AUDITOR  
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November 14, 2018  
Honorable Jay Powell  
Chairman, Ways and Means  
133 Capitol  
Atlanta, Georgia 30334

SUBJECT: Fiscal Note  
House Bill 5EX (LC 43 1050S)

Dear Chairman Powell:

The bill would ratify the Governor's executive order dated July 30, 2018 that suspended collection of the state sales tax on jet fuel beginning August 1, 2018. The bill would extend the suspension through June 30, 2019, the end of the current fiscal year. It would also require that there be a state of emergency declaration before any future suspension or modification of the jet fuel sales tax.

### Impact on State Revenue

In fiscal year 2018, the state collected \$39.7 million in jet fuel taxes. Georgia State University's Fiscal Research Center (FRC) estimated that the jet fuel exemption would reduce fiscal year 2019 state revenue by \$44.7 million to \$49.4 million (see Table 1). There is no revenue loss in following years. Details of FRC's analysis are included in the attached appendix.

**Table 1. State Revenue Effects of LC 43 1050S**

(\$ millions)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Jet Fuel Exemption – High	(\$49.4)				
– Low	(\$44.7)				

### Local Impact

Under current federal regulations, only state and local taxes in existence prior to 1987 may be charged on jet fuel, and then only at the rate then applicable. Taxes not grandfathered may only be collected if the proceeds are dedicated to aviation purposes. The proposed law ensures compliance with federal regulations.



The Federal Aviation Authority has made clear in its Revised Policy that state and local jurisdictions, in addition to airport sponsors, may be penalized for imposing taxes on aviation fuel that are not appropriately used for airport purpose. In the fiscal year 2018 appropriations bill , \$29,412,745 in one-time funds for grants to local governments was provided to offset taxes in SPLOST revenue resulting from federal spending requirements.

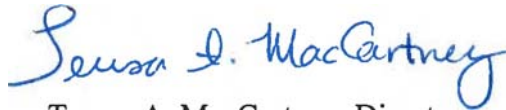
**Impact on State Expenditures**

We did not identify any additional costs to the state that would result from the bill.

Sincerely,

A handwritten signature in blue ink, appearing to read "Greg S. Griffin".

Greg S. Griffin  
State Auditor

A handwritten signature in blue ink, appearing to read "Teresa A. MacCartney".

Teresa A. MacCartney, Director  
Office of Planning and Budget

GSG/TAM/mt



## **Analysis by the Fiscal Research Center**

### **Jet Fuel Exemption**

Absent the suspension, sales of jet fuel are generally subject to a four percent state sales tax, with one percentage point of the four dedicated to aviation purposes per federal regulations and the balance going to the general fund. The exception is fuel for international flights departing from Hartsfield-Jackson Atlanta International Airport (ATL), which is exempted due to the designation of the area as a Free Trade Zone. The subject bill would result in the same effective taxation after June 30, 2019. The estimates herein are thus of the fiscal impact through the end of the fiscal year, or more precisely from August 1, 2018 through June 30, 2019.

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Data used and assumptions made in the analysis are as follows:

- Georgia Department of Revenue (DOR) began in July 2015 requiring separate reporting of jet fuel sales and has provided data on sales tax collections from jet fuel by county for all months from July 2015 through the last month before the suspension took effect, July 2018. These data, along with monthly average fuel prices, were used to estimate the statewide volume of jet fuel sold each month.
- Historical estimated volumes were projected forward at the national rate of growth projected by the U.S. Energy Information Administration (EIA), about 2.9 percent per annum from 2017 through 2019.
- Based on the historical share of jet fuel consumed during the months of August through June (from the DOR data) compared to the full fiscal year, about 91.4 percent, the projected consumption of jet fuel over the relevant eleven months of FY 2019 is approximately 542 million gallons.
- According to the EIA, the average price of jet fuel was \$2.176 per gallon in August 2018, the most recent month available. According to their forecast, the average monthly price of jet fuel is expected to be about \$2.17 over the entire Aug-June period. The estimates allow for a range around that forecast of  $\pm 5$  percent, for a range of about \$2.06 to \$2.28.

Table 2 provides the resulting high and low forecasts of sales tax revenue that could be expected from sales of jet fuel in the state for the August 2018 June 2019 period in the absence of the exemption.



**Table 2. Estimated Effects of the Jet Fuel Exemption for August 1, 2018 through June 30, 2019**

<u>Statewide Jet Fuel Consumption (<i>millions of gallons loaded</i>)</u>		<u>542.2</u>
Price per Gallon of Jet Fuel	High	\$2.28
	Low	\$2.06
State Sales Tax Effect @ 4% (\$ <i>millions</i> )	High	(\$49.4)
	Low	(\$44.7)
Portion Dedicated to Aviation Purposes (\$ <i>millions</i> )	High	(\$12.3)
	Low	(\$11.2)